

Message Text

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12

ACTION EB-06

INFO OCT-01 NEA-06 ISO-00 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-01 SIL-01 OMB-01 STR-01 CEA-01

(ISO) W

----- 058760

R 100730Z NOV 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1439

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: EINV, EALR, EFIN, PINT: KU

SUBJ: INTERNATIONAL BANK JOINS US BANKING CLUB IN KUWAIT

REF: KUWAIT 4558

1. EMBOFF HAS HAD OPPORTUNITY DISCUSS ROLE OF NEWLY FORMED KUWAIT FINANCIAL CENTER WITH ROBERT CRIST, V.P. INTERNATIONAL BANK OF WASHINGTON DC WHICH OWNS 75,000 SHARES IN COMPANY WHICH VALUED AT APPROX. \$2.55 MILLION OUT OF TOTAL CAPITAL OF ABOUT \$12 MILLION. COMPANY IS CULMINATION SEVERAL YEARS OF ON-AGAIN, OFF-AGAIN CONTACTS BETWEEN LEADING KUWAITIS INCLUDING KUWAIT AMBASSADOR TO US SHEIKH SALEM AL-SABAH SON OF AMIR, AND SHAIKH NASER AL-SABAH SON FONMIN, AND INT'L BANK OFFICIALS. SHAIKH SALEM HIMSELF OWNS OVER 51 PERCENT OF COMPANY. WHILE
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COMPANY'S FORMATION WAS ONLY ANNOUNCED IN OCT 27 OFFICIAL

GAZETTE IT WAS ALREADY ACTIVE THIS SUMMER AND IS LISTED AS ONE OF SHAREHOLDERS IN KUWAITI FNCB TAKE-OVER OF LIBERAL BANK IN BEIRUT.

2. ANNOUNCEMENT OF COMPANY'S CHARTER MAKES IT CLEAR THAT KFC WAS PROSCRIBED FROM ENTERING INTO COMMERCIAL OR SPECIALIZED BANKING FUNCTIONS, AS WELL IT MUST, SINCE NO FOREIGN OWNERSHIP OF BANKS IS PERMITTED HERE. COMPANY'S CHARTER SEEMS PURPOSELY VAGUE BUT INDICATES COMPANY INTENDS BECOME INVOLVED IN FINANCING TRADE DEALS, WHICH SEEMINGLY NOT A HIGH-DEMAND SERVICE IN KUWAIT, AND ENTERING INTO FOREIGN EXCHANGE OPERATIONS. HOWEVER, CRIST MADE IT CLEAR COMPANY HAS NOT YET DECIDED DEFINITELY ON ITS ROLE AND WILL LIKELY TEST THE OUTER LIMITS OF ITS CHARTER. HE MENTIONED INVESTMENT BANKING, LOCAL FINANCING, SYNDICATION, AND TAKING OF EQUITY POSITIONS IN LOCAL AND REGIONAL COMPANIES AS ACTIVITIES IN WHICH KFC COULD POTENTIALLY BECOME INVOLVED. IN ANY CASE, TWO OR MORE INTERNATIONAL BANK PEOPLE LIKELY BE HERE CONTINUOUSLY AFTER FIRST OF YEAR.

3. COMMENT: IT CLEAR THIS BUT ANOTHER VEHICLE US BANKS HAVE FOUND FOR ESTABLISHING A PRESENCE IN KUWAIT. INTERNATIONAL BANK IS NO NEW-COMER TO AREA, HAVING HAD AN OPERATION IN BEIRUT FOR A NUMBER YEARS. INCREASINGLY, US BANKS ARE REACHING CONCLUSION THAT OPERATIONS IN ONE OR MORE GULF COUNTRIES IMPORTANT AND WITH KUWAIT'S RELATIVE SOPHISTICATION IN FINANCE MAY OF THEM WILLING GO THROUGH NECESSARY TRIALS IN ORDER TO ESTABLISH DIRECT PRESENCE HERE. THIS ALSO BUT ANOTHER FINANCIAL/COMMERCIAL VENTURE IN WHICH PROMINENT AL-SABAH NAMES APPEAR, AND IT POSSIBLE THAT AT ONE POINT THIS MAY CAUSE FRICTION WITH TRADITIONAL MERCHANT/BANKING FAMILIES WHO MAY HAVE GOOD REASON TO BELIEVE THEIR TERRITORY BEING EXCESSIVELY ENCROACHED UPON BY ROYAL FAMILY. STOLTZFUS

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